

Thinking Beyond the Benchmark

Seeking the high-quality sweet spot with the Kayne Anderson Rudnick Small Cap Quality Value strategy

ACTIVE OR PASSIVE?

In our opinion, so much of today’s investment advice boils down to this simple, perhaps overly simplistic, question: “Should I pay for active management with the hopes of generating excess investment returns or should I ‘buy the benchmark’ through a lower-cost index fund?” In the race for investment returns, index investing can make a compelling case when compared with many active strategies, whose excess returns, if any, may be offset by fees.

We believe, however, for U.S. small-cap stocks, and particularly in the value category, the benchmark does not necessarily provide higher returns, as evidenced by the chart below (Small Cap Value Universe Comparison). This quartile chart shows that many, if not most, active managers in the U.S. small-cap value asset class have outperformed the Russell 2000 Value benchmark across all the time periods analyzed. Put another way, we take the view that the index, representative of passive investing, underperforms over the long term, falling in the bottom half or quartile among all observable active managers in this asset class on an annualized basis.

How these active managers achieve their excess returns and what corresponding risks are taken can vary widely. We believe investors should pay close attention to how returns by active managers have been achieved over multiple time periods, focusing on the consistency of excess returns over time.

QUALITY OF HOLDINGS

In addition to consistency, we feel investors should review the quality of the underlying holdings in the portfolios of active managers.

In our view, the quality of the underlying businesses held in a portfolio is a key factor in the consistency of investment performance. We believe that investing in quality businesses is an important contributor to capturing greater risk-adjusted returns, relative not just to the Russell 2000 Value Index, but to the overall equity market.

By focusing on companies with protected and differentiated business models, the KAR portfolio management team creates portfolios of businesses that exhibit strong fundamental characteristics, such as a high return on equity, low debt-to-capital ratio, strong free cash flow and consistent profitability. We believe these financial characteristics are strong indicators of a company’s durability and competitive position within its industry.

Quality may seem like a secondary factor during periods when the U.S. equity markets are advancing in a consistent manner and in particularly pronounced bull markets. However, in our opinion, quality companies tend to stand out when equity markets correct. We believe it is during these more difficult market environments that quality counts.

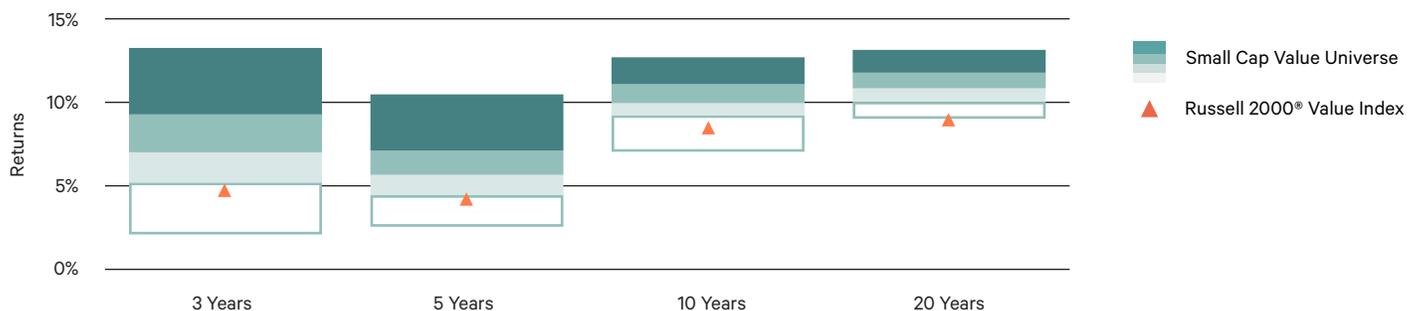


Our mission is identifying the highest quality businesses in which to invest. Benchmarks, in our view, are not built with the same discretion.

| Percent of unprofitable companies: | |
|------------------------------------|-----|
| KAR Small Cap Quality Value: | 13% |
| Russell 2000® Value Index: | 38% |

Data as of December 31, 2022. Data is obtained from FactSet Research Systems and is assumed to be reliable. Unprofitable companies are defined as those companies with zero or negative net profits.

SMALL CAP VALUE UNIVERSE COMPARISON: Annualized Returns



*Periods ending December 31, 2022. Data is obtained from FactSet Research Systems and is assumed to be reliable. The Small Cap Value Universe includes all managers categorized in the Small Cap Value asset class by eVestment. To the extent actual performance results are shown in comparison to an index, the index is not actively managed and does not reflect the deduction of any investment management or other fees and expenses. Indices are not available for direct investment. This information is being provided by Kayne Anderson Rudnick Investment Management, LLC (“KAR”) for illustrative purposes only. **Past performance is no guarantee of future results.***

PROFITING FROM COMPANIES WITH STRONG FUNDAMENTALS

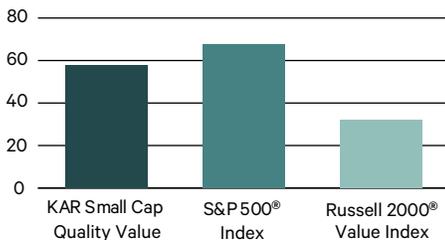
We believe an analysis of one of our actively managed investments—the KAR Small Cap Quality Value strategy—will provide a clear view into how the quality of underlying holdings affects the portfolio overall. The KAR Small Cap Value strategy invests in the small-company universe benchmarked to the Russell 2000 Value Index. Take a look at the following charts that compare the KAR portfolio against its benchmark and the broad stock market, represented by the S&P 500 Index.

In our view, our focus on quality gives our Small Cap Quality Value strategy stronger fundamental characteristics and, subsequently, better risk-and-reward characteristics than both the benchmark and the larger equity market.

WHAT'S IN OUR INVESTMENT PORTFOLIO?

HIGH-QUALITY STOCKS

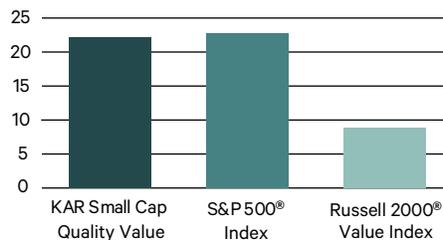
Percentage of Holdings with S&P Quality Rankings* of B+ or Above



We seek the benefits of small company exposure, with higher-quality stocks.

PROFITS

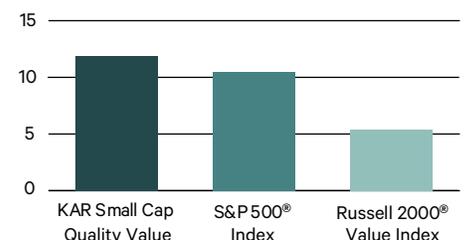
Five-Year Return on Equity



We believe profitable companies produce better returns and are more likely to sustain in volatile markets.

DEBT COVERAGE

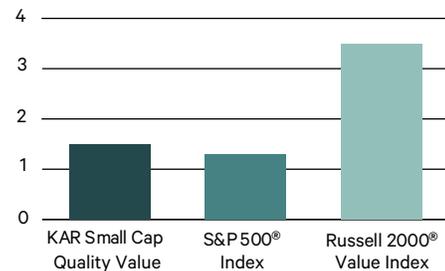
Interest Coverage Expense Ratio



In our view, a higher interest coverage percentage means companies can more easily pay their debts.

DEBT

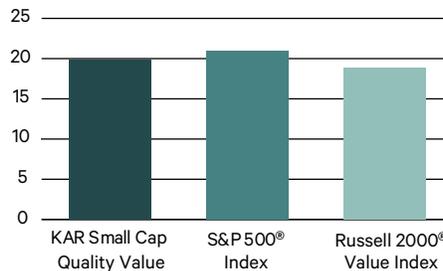
Total Debt/EBITDA†



We find less debt translates to more free cash flow to fund future growth.

VALUE

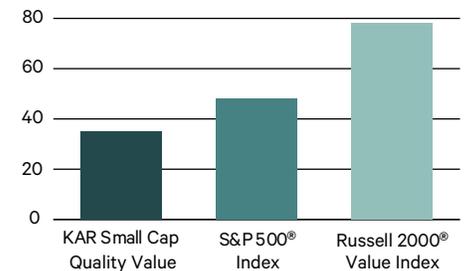
Trailing 12-Month Price-to-Earnings Ratio



In our experience, stocks with lower P/E ratios trade at a relative discount and have room to grow.

VOLATILITY OF EARNINGS

Earnings Variance for the Past 10 Years



We believe lower earnings variance indicates companies have more predictable earnings over time.

*S&P Quality Rankings are letter grades assigned to a company based on a variety of factors, chief among them is the consistency of earnings and dividend growth over the prior 10 years.

†KAR utilizes the interquartile method when calculating TD/EBITDA. The interquartile method excludes outliers from an aggregate statistic such as weighted average. The interquartile method does not assume that data from the top or bottom of the distribution are outliers—only the extreme ends are excluded—and that it can be applied consistently as a quantitative method for most fundamental characteristics.

Data as of December 31, 2022. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. To the extent actual performance results are shown in comparison to an index, the index is not actively managed and does not reflect the deduction of any investment management or other fees and expenses. Indices are not available for direct investment. This information is being provided by Kayne Anderson Rudnick Investment Management, LLC (“KAR”) for illustrative purposes only. This material is deemed supplemental and complements the performance and disclosure presented on the last page. **Past performance is no guarantee of future results.**

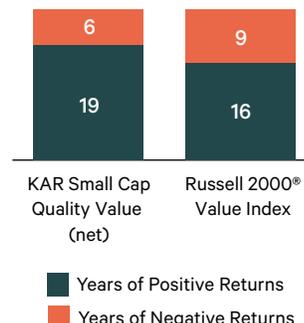
MANAGING RISK TO KEEP INVESTORS ON COURSE

The flip side of returns is risk, and we believe careful risk management is a key contributor to how the KAR Small Cap Quality Value strategy has been able to consistently outperform its benchmark. The small-cap asset class is generally known for its potential to deliver excess returns over the large-cap space, but it is often understood to be carrying more risk. Our portfolio management team maintains its sharp focus on quality in approaching and managing portfolio risk; as such, we find the risk profile of the KAR Small Cap Quality Value portfolio is closer to that of the S&P 500 Index, which comprises U.S. large-cap companies, than it is to the Russell 2000 Value Index, which tracks U.S. small-cap companies.

Investors often describe risk as the potential to lose money. The Small Cap Quality Value Portfolio, since its inception in 1998, has had more calendar years of positive returns and fewer calendar years of negative returns when compared to the Russell 2000 Value Index, as evidenced in the bar chart below.

| | ANNUALIZED RETURN | BETA | STANDARD DEVIATION |
|-------------------------------------|-------------------|------|--------------------|
| KAR Small Cap Quality Value (gross) | 10.83 | 0.77 | 17.02 |
| KAR Small Cap Quality Value (net) | 9.40 | 0.77 | 17.02 |
| S&P 500® Index | 7.23 | 0.66 | 15.72 |
| Russell 2000® Value Index | 7.62 | 1.00 | 19.49 |

Lower beta indicates less volatility than the market as a whole. Lower standard deviations indicate more consistent returns over time.

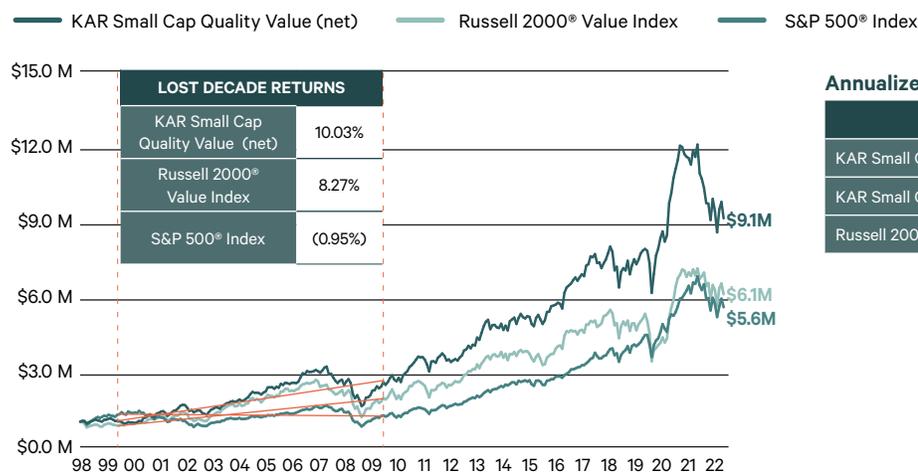


Data presented is since the inception of the KAR Small Cap Quality Value strategy, June 1, 1998 through December 31, 2022. Data is obtained from FactSet Research Systems and is assumed to be reliable. Please see additional disclosures at the bottom of this page. **Past performance is no guarantee of future results.**

“A concept in behavioral finance known as prospect theory tells us that investors feel the impact of negative returns more deeply than positive ones. At KAR, we strive to remain defensive even in the worst markets.”

PERFORMANCE THROUGH THE YEARS

At the end of the day, investors want an investment strategy that delivers returns, through bull and bear markets, recessions and recoveries. To get a sense of how the KAR Small Cap Quality Value has achieved out performance over the long term, consider the growth of \$1 million since the inception of the strategy as illustrated in the graph below. It is clear that, even with fees, the KAR strategy’s growth is significantly greater than gains found in market indices.



Annualized Returns

| | 1 Year | 5 Years | 10 Years |
|-------------------------------------|----------|---------|----------|
| KAR Small Cap Quality Value (gross) | (23.41%) | 5.17% | 11.04% |
| KAR Small Cap Quality Value (net) | (24.42%) | 3.81% | 9.62% |
| Russell 2000® Value Index | (14.48%) | 4.13% | 8.48% |

*Lost Decade reflects time period between January 1, 2000 to December 31, 2009. Returns are annualized. The “Lost Decade” refers to the period in which the S&P 500 Index posted its first negative “named” decade ever (i.e., 1960s, 1970s) since inception of the index back in 1926. Chart reflects cumulative returns since the inception of the KAR Small Cap Quality Value strategy, June 1, 1998 through December 31, 2022. The performance figures presented above are preliminary, unaudited, unreconciled, and are net of fees unless otherwise specified. Net of fees returns reflect the payment of investment management fees and in some instances, other fees and expenses. KAR’s investment management fees are described in KAR’s Form ADV, Part 2A. All periods less than one year are total returns for the noted timeframe and are not annualized. Fees presented on the Disclosure page could vary from the assumed fee in the net-of-fee calculation, as actual fees paid by a particular client account differ depending on a variety of factors including, but not limited to, business unit and size of mandate. The fee used on the Disclosure page utilizes an assumed maximum fee across the firm’s business units, which is further detailed on that page. For further details on the composite, please see the disclosure statement in this presentation. All rates of return include reinvested dividends and other earnings. Current performance may be lower or higher than the performance data shown. This material is deemed supplemental and complements the performance and disclosure presented on the last page and included in KAR’s strategy fact sheets available on kayne.com. To the extent actual performance results are shown in comparison to an index, the index is not actively managed and does not reflect the deduction of any investment management or other fees and expenses. Indices are not available for direct investment. This information is being provided by Kayne Anderson Rudnick Investment Management, LLC (“KAR”) for illustrative purposes only. Data is obtained from FactSet Research Systems and is assumed to be reliable. **Past performance is no guarantee of future results.** Returns could be reduced, or losses incurred, due to currency fluctuations.

DISCLOSURE

| Year | Composite Gross Return (%) | Composite Net Return (%) | Russell 2000® Value Index Return (%) | Composite 3-Yr Std Dev (%) | Benchmark 3-Yr Std Dev (%) | Number of Accounts | Internal Dispersion (%) | Composite Assets (\$ Millions) | Firm Assets (\$ Millions) |
|------|----------------------------|--------------------------|--------------------------------------|----------------------------|----------------------------|--------------------|-------------------------|--------------------------------|---------------------------|
| 2012 | 9.97 | 8.56 | 18.05 | 16.24 | 20.17 | 120 | 0.35 | 474 | 6,545 |
| 2013 | 41.06 | 39.29 | 34.52 | 14.50 | 16.05 | 142 | 1.05 | 646 | 7,841 |
| 2014 | 3.05 | 1.72 | 4.22 | 13.06 | 12.98 | 149 | 0.52 | 581 | 7,989 |
| 2015 | (0.16) | (1.45) | (7.47) | 13.94 | 13.65 | 151 | 0.20 | 535 | 8,095 |
| 2016 | 26.74 | 25.13 | 31.74 | 14.30 | 15.72 | 141 | 1.13 | 711 | 9,989 |
| 2017 | 20.48 | 18.94 | 7.84 | 12.32 | 14.17 | 191 | 0.56 | 996 | 14,609 |
| 2018 | (14.80) | (15.92) | (12.86) | 14.42 | 15.98 | 152 | 0.35 | 895 | 17,840 |
| 2019 | 25.79 | 24.20 | 22.39 | 14.59 | 15.90 | 126 | 0.65 | 1,107 | 25,685 |
| 2020 | 29.85 | 28.20 | 4.63 | 22.12 | 26.49 | 121 | 0.97 | 1,835 | 39,582 |
| 2021 | 20.68 | 19.15 | 28.27 | 19.96 | 25.35 | 118 | 0.36 | 2,932 | 47,269 |

The Russell 2000® Value Index is a trademark/service mark of Frank Russell Company. Russell® is a trademark of Frank Russell Company.

KAR (as defined below) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. KAR has been independently verified for the period from January 1, 1999 through December 31, 2021.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis.

The Small Cap Quality Value Composite has had a performance examination for the period from January 1, 1999 through December 31, 2021. The verification and performance examination reports are available upon request.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Kayne Anderson Rudnick Investment Management, LLC ("KAR"), a wholly owned subsidiary of Virtus Investment Partners, Inc., is a registered investment advisor under the Investment Advisers Act of 1940. Registration of an Investment Advisor does not imply any level of skill or training. KAR manages a variety of equity and fixed-income strategies focusing exclusively on securities the firm defines as high quality.

The composite includes all fully discretionary institutional and pooled Small Cap Quality Value Portfolios. Small Cap Quality Value Portfolios are invested in equity securities with capitalizations consistent with the Russell 2000® Value Index, that have market control, rising free cash flow, shareholder-oriented management, strong consistent profit growth and low-debt balance sheets. For comparison purposes, the composite is measured against the Russell 2000® Value Index. The Russell 2000® Value Index is a market capitalization-weighted index of value-oriented stocks of the 2,000 smallest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The index is calculated on a total-return basis with dividends reinvested. Benchmark returns

are not covered by the report of independent verifiers. The inception date of the composite is June 1998. The composite was created in June 1998. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. The firm's list of composite descriptions, list of broad distribution pooled fund and the list of limited distribution pooled funds descriptions are available upon request.

The model management fee used for the net returns in this table is 1.30% for all periods presented. The standard institutional management fee schedule currently in effect is as follows: 0.90% for the first \$25 million; 0.80% on the next \$25 million; 0.70% on the balance. The maximum Wealth Advisory Services Fee in effect is 1.30% for all assets, which breaks out as follows: 1.00% for the first \$3 million; 0.80% on the next \$2 million; 0.70% on the next \$5 million; 0.60% on the balance; with an additional 0.30% for any assets invested in separately managed accounts strategies. The standard investment advisory fee schedule currently in effect for clients not engaging in Wealth Advisory Services is 1.00%. Actual management fees charged may vary depending on applicable fee schedules and portfolio size, among other things. Additional information may be found in Part 2A of Form ADV, which is available on request. The performance information is supplied for reference. Past performance is no guarantee of future results. Results will vary among accounts. The U.S. dollar is the currency used to express performance. Returns are presented net of transaction fees and include the reinvestment of all income. Gross returns will be reduced by investment management fees and other expenses that may be incurred in the management of the account. Model net returns have been calculated by deducting 1/12th of the highest tier of the standard management fee schedule in effect for the respective period from the gross composite returns on a monthly basis.

Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns for accounts in the composite for the entire year. For those years when less than five accounts were included for the full year, no dispersion measure is presented. The three-year annualized ex-post standard deviation measures the variability of the composite (using gross returns) and the benchmark for the 36-month period.

The S&P 500 Index is a market capitalization-weighted index which includes 500 of the largest companies in leading industries of the U.S. economy. The indexes are calculated on a total return basis with dividends reinvested. The indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment. EBITDA, or earnings before interest, taxes, depreciation and amortization, is a measure of a company's overall financial performance and is used as an alternative to net income in some circumstances.